

Alpha Fiduciary, Inc.
Wrap Fee Investment Program

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An SEC-registered advisory firm¹

FIRM BROCHURE, DECEMBER 2015

This brochure provides information about the qualifications and business practices of Alpha Fiduciary, Inc. (“Alpha Fiduciary”). If you have any questions about the content of this brochure, please contact us at (480) 505-4033 and/or the website at www.alphafiduciary.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Alpha Fiduciary is also available on the SEC’s website at www.adviserinfo.sec.gov

¹ SEC or State registration does not and should not imply any certain level of skill or training.

MATERIAL CHANGES

Since the filing of the firm's 2015 ADV annual amendment, the following material changes have taken place:

On November 30, 2015, Alpha Fiduciary entered into a settlement with the SEC in which the SEC entered an Administrative Cease and Desist Order ("Order") and other sanctions against Alpha Fiduciary. Section III of the Order is included in the firm's ADV Additional Information/ Disciplinary Section, Page 11.

Alpha Fiduciary fully cooperated with the SEC in their investigation and are pleased to have this matter behind us. Importantly, the noted deficiencies in the Order primarily related to marketing materials that the firm ceased using almost three (3) years ago as well as to related compliance deficiencies. In 2014, Alpha Fiduciary hired a dedicated Chief Compliance Officer, who has implemented improved compliance processes and controls over the firm. Alpha Fiduciary will continue to improve its compliance processes and is a better firm because of this.

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SERVICE, FEES AND COMPENSATION

Alpha Fiduciary was founded by president and owner Arthur Doglione in 2006 after working for more than 20 years with high-net-worth clients and building the largest Merrill Lynch practice in the Arizona territory. An industry veteran who deeply understands affluent clients' needs, Art has assembled a team of professionals with experience in wealth management, portfolio management, financial planning, and alternative investments to help clients build and maintain their financial wealth. Clients of Alpha Fiduciary undergo a discovery process to identify their goals and needs, and advisors work with the clients and in certain cases, outside professionals, to match investment strategies and planning vehicles to their needs.

Alpha Fiduciary has under management more than \$600 million in client assets, including those held on both a discretionary and non-discretionary basis.

Wrap Fee Investment Program

The wrap fee investment program (the "program") sponsored by Alpha Fiduciary is a fee-based account that enables a program participant to develop an investment portfolio, consistent with the participant's investment objective(s). Under the program, a participant shall authorize Alpha Fiduciary to allocate his/her/their/its investment assets, on a discretionary basis, among various investments (equity, mutual fund and fixed income securities), consistent with the participant's investment objective(s).

Under the program, the participant shall receive both investment advisory services and the execution of brokerage transactions for a single specified fee. Participation in the program may cost more or less than purchasing such services separately. In addition, the fees charged by Alpha Fiduciary for participation in the program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. The terms and conditions for client participation in the program are set forth in this brochure.

Program Advisory Fee

The Advisory fee schedule ("advisory fees") for wrap program accounts managed by Alpha Fiduciary is based upon a percentage of assets under management (net of any debit balances) and is set forth below:

<u>Advisory Account Assets Under Management</u>	<u>Annual Fee</u>
Up to \$3 million	1.25%
Over \$3 million but under \$5 million	0.95%
Over \$5 million but under \$10 million	0.85%
Over \$10 million but under \$20 million	0.75%
Over \$20 million but under \$50 million	0.50%
Over \$50 million	0.35%

Advisory fees shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Actual fees may be negotiated, and a client may pay more or less than similar clients depending on the particular circumstances, which may include considerations related to size of the client's account, additional and/or differing levels of service or as negotiated. Clients that negotiate fees may end up paying a higher fee than that set forth in the fee schedules above as a result of fluctuations in the client's assets under management and/or account performance.

In addition to the investment management fee and apart from the brokerage costs covered by the wrap fee program, the client will also incur, relative to all mutual fund and exchange-traded fund purchases, charges imposed at the fund level (*e.g.*, management fees and other fund expenses). The specific charges are identified in the prospectus or other like document that is provided separately to the client. The client may also incur mark-up or mark-down fees assessed by broker-dealers on certain transactions. Any such fees, if applicable, are identified on the transaction confirmations provided by the broker-dealer custodian.

Alpha Fiduciary offers a non-wrap fee program. Please see our non-wrap brochure for additional information.

Other Terms & Conditions

The client will be required to enter into a formal program agreement with Alpha Fiduciary that sets forth the terms and conditions under which Alpha Fiduciary shall manage the client's assets. Clients will also sign separate custodial/clearing agreements with each designated broker-dealer/custodian. Both the program agreement and the custodial/clearing agreements authorize the custodian to debit accounts for the amount of the investment advisory fees and to directly remit those management fees to Alpha Fiduciary. The program agreement between Alpha Fiduciary and the client will continue in effect until terminated by either party. In the event the client terminates investment management services, the balance of any unearned fee, if any, shall be refunded to the client.

Research and Other Soft Dollar Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian or purchase a particular mutual fund, Alpha Fiduciary may receive from a broker-dealer/custodian or mutual fund company, without cost and/or at a discount, support services and/or products, certain of which assist Alpha Fiduciary to better monitor and service client accounts maintained at such institutions/within such funds. Included within the support services that may be obtained by Alpha Fiduciary may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences or on-site due diligence meetings (including lodging and airfare), meetings, and other educational and/or social events, marketing support, computer hardware, and/or software or other products used by Alpha Fiduciary in furtherance of its investment advisory business operations.

Alpha Fiduciary participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers services to independent investment Advisors which include custody of securities, trade execution, clearance and settlement of transactions. Alpha Fiduciary receives some benefits from TD Ameritrade through its participation in the program, as detailed in this section.

Alpha Fiduciary participates in TD Ameritrade's institutional customer program and Alpha Fiduciary may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the firm's participation in the program and the investment advice it gives to its clients, although Alpha Fiduciary receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Alpha Fiduciary participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Alpha Fiduciary by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by related persons of Alpha Fiduciary. Some of the products and services made available by TD Ameritrade through the program may benefit Alpha Fiduciary but may not benefit its client accounts. These products or services may assist Alpha Fiduciary in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Alpha Fiduciary manage and further develop its business enterprise. The benefits received by Alpha Fiduciary or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Alpha Fiduciary endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Alpha Fiduciary or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the choice of TD Ameritrade for custody and brokerage services.

Alpha Fiduciary also receives from TD Ameritrade certain additional economic benefits ("additional services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the additional services include Model Capital Management, LLC and Orion Advisor Services. TD Ameritrade provides the Additional Services to Alpha Fiduciary in its sole discretion and at its own expense, and Alpha Fiduciary does not pay any fees to TD Ameritrade for the additional services. Alpha Fiduciary and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the additional services.

Advisor's receipt of additional services raises potential conflicts of interest. In providing additional services to Alpha Fiduciary, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Alpha Fiduciary, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the additional services from TD Ameritrade, Alpha Fiduciary may have an incentive to recommend to its clients that the assets under management by Alpha Fiduciary be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. The receipt of additional services does not diminish the duty of Alpha Fiduciary to act in the best interests of its clients, including the duty to seek best execution of trades for client accounts.

Certain of the support services and/or products that *may* be received assist Alpha Fiduciary in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Alpha Fiduciary to manage and further develop its business enterprise.

Clients of Alpha Fiduciary do not pay more for investment transactions effected and/or assets maintained at a particular broker-dealer/custodian as a result of this arrangement. There is no corresponding commitment made by Alpha Fiduciary to any particular broker-dealer/custodian or to any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Brokerage for Client Referrals

Alpha Fiduciary may receive client referrals from TD Ameritrade through its participation in TD Ameritrade's AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Alpha Fiduciary may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Alpha Fiduciary, and there is no employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Alpha Fiduciary and has no responsibility for the way in which Alpha Fiduciary manages client portfolios or provides other advice or services. Alpha Fiduciary pays TD Ameritrade an ongoing fee for each successful client referral. This fee* is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Alpha Fiduciary ("Solicitation Fee"). Alpha Fiduciary will also pay TD Ameritrade the solicitation fee on any advisory fees received by Alpha Fiduciary from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Alpha Fiduciary on the recommendation of such referred client. Alpha Fiduciary will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass solicitation fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade's AdvisorDirect Disclosure and Acknowledgement Form.

Participation in AdvisorDirect raises potential conflicts of interest for Alpha Fiduciary. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Alpha Fiduciary may have an incentive to recommend to clients that the assets under management by Alpha Fiduciary be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Alpha Fiduciary has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Participation in AdvisorDirect does not diminish the duty of Alpha Fiduciary to seek best execution of trades for client accounts.

Other than the relationships and affiliations previously disclosed in this brochure, the disclosure statement, and/or the advisory agreement, there are no current relationships between Alpha Fiduciary, and any other parties that would present a conflict of interest to the participant.

Directed Brokerage

The client may direct Alpha Fiduciary to use a particular broker-dealer (subject to the right of Alpha Fiduciary to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Alpha Fiduciary will be unable to seek better execution services or prices from other broker-dealers or be able to "bunch" the client's transactions with orders for other clients' accounts managed by Alpha Fiduciary. As a result, clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for their accounts than would otherwise be the case.

Alpha Fiduciary seeks to execute orders for its clients fairly and equitably. Alpha Fiduciary follows written procedures pursuant to which it may, and to the extent consistent with best execution, combine purchase or sale orders for the same security for multiple clients so that they can be executed at the same time. The procedures for "bunching" trades may differ depending on the particular strategy or type of investment. Alpha Fiduciary is not required to bunch or aggregate orders if it determines that bunching or aggregating is not practical.

When client orders are bunched by Alpha Fiduciary, the order will be placed with the broker-dealer custodian for execution. When a bunched order is completely filled, Alpha Fiduciary generally will allocate the securities purchased or proceeds of sale among participating accounts based on the purchase or sale order. Adjustments or changes may be made by Alpha Fiduciary under certain circumstances, such as to avoid odd lots or excessively small allocations. If the bunched order is filled at different prices through multiple trades, generally all such participating accounts will receive the average price. When a bunched order is partially filled, trade allocation procedures provide that the securities are to be allocated in a manner deemed fair and equitable to clients.

ACCOUNT REQUIREMENTS and TYPES OF CLIENTS

Alpha Fiduciary provides investment advisory services to the following clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates, Charitable Organizations;
- Corporations, Pension Plans & 401(k)s;

Alpha Fiduciary does not generally require a minimum account size for participation in the wrap program. Alpha Fiduciary is the only portfolio manager of the program.

PORFOLIO MANAGER SELECTION and EVALUATION

As stated previously, Alpha Fiduciary is the only portfolio manager in this Program.

Advisory/Investment Management Services

Alpha Fiduciary generally provides investment management services on a discretionary basis according to the investment objectives of clients and in accordance with the terms and conditions of the Investment Advisory Agreement between Alpha Fiduciary and each client. The Alpha Fiduciary investment management process focuses on the use of its proprietary Global Tactical Multi Asset Class Strategies (“GTMACS”) in order to provide investment returns consistent with clients’ investment goals and objectives. Based upon its GTMACS, Alpha Fiduciary will invest clients’ accounts in certain percentages across numerous asset classes (*e.g.*, stocks, corporate and government bonds, managed futures, and other “alternative” investments) in order to target desired investment returns while achieving lower volatility through the use of asset allocation and, in some cases, liquid alternative investment products.

Alpha Fiduciary also offers the Tactical Alpha Allocation Strategy (“TAAS”). TAAS is designed to achieve investment returns that exceed a comparable index. TAAS’s focus is capital appreciation through tactical asset allocation. The TAAS investment strategy uses a systematic, model-driven process designed to limit subjectivity. Allocations may include exposures to large, medium, or small US stocks; value and growth investment styles; US fixed income (Treasuries, investment grade, high-yield, short-term); and commodities (metals, real estate, energy). These exposures may be achieved through the use of options. Alpha has engaged Model Capital Management, LLC (a registered advisory firm) to act as the sub-advisor to TAAS.

Methods of Analysis, Investment Strategies and Risk of Loss

Alpha Fiduciary will invest client accounts in certain percentages across multiple asset classes (*e.g.*, stocks, corporate and government bonds, managed futures, and other “alternative” investments) in order to target desired investment returns while achieving lower volatility through the use of asset allocation and, in some cases, liquid alternative investment products.

To identify suitable investment products and strategies for clients, the Investment Committee discusses research, academic theory, our own investment philosophy, and current market conditions on approximately a weekly basis. The firm also employs a forecasting model which analyzes multiple factors which have tended historically to correlate with US market returns. In

light of this information, the Committee constructs and modifies portfolios across multiple asset classes to achieve proper diversification as well as to take advantage of trends which may result in superior returns. Depending on client needs and risk comfort level, different mixes of the same investments might be used in a given portfolio. Individual investments undergo a rigorous research process that includes comparison with other available options, review of the regulatory literature, returns data, and fees/costs.

Alpha Fiduciary does not guarantee the future performance of any account or any specific level of performance, the success of any investment decision or strategy that Alpha Fiduciary may use, or the success of overall investment management. All investment decisions are subject to various market, currency, economic, political, and business risks, and investment decisions may not always be profitable. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Alpha Fiduciary if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising any previous recommendations and/or services.

Voting Client Securities

Alpha Fiduciary votes proxies for clients who have given formal permission to their custodians for this service. Proxies are generally voted according to management's recommendations except in cases where a proposal clearly conflicts with clients' interests in the view of Alpha Fiduciary.

With respect to shareholder class action litigation and similar matters, Alpha Fiduciary generally will not make any filings in connection with any shareholder class action lawsuits involving securities currently or previously held in clients' accounts but will forward these notices to clients when received. Alpha Fiduciary recommends that its clients promptly review such materials, as they identify important deadlines and may require action on the client's part. Alpha Fiduciary will not be required to notify third party custodians or clients who utilize third party custodians of shareholder class action lawsuits and similar matters.

CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Alpha Fiduciary is the only portfolio manager within the program. As a result, no client information is provided to any other portfolio manager.

CLIENT CONTACT WITH PORTFOLIO MANAGERS

Alpha Fiduciary is the only portfolio manager within the program. As a result, clients have continual contact with the portfolio manager.

ADDITIONAL INFORMATION

Disclosure Information

As referenced in the Material Changes Section, the following is Section III of the Order. In addition, the Order in its entirety will be posted on Alpha Fiduciary's website.

III.

On the basis of this Order and Respondents' Offers, the Commission finds² that:

Summary

1. From at least August 2010 until March 2013, Respondents and AFI's former vice president and business development director created and distributed to clients and prospective clients performance advertising that failed to disclose with sufficient prominence and detail that AFI's Global Tactical Multi Asset Class Strategies' ("GTMACS") advertised performance was hypothetical rather than actual. Doglione created the GTMACS' performance data by back-testing static models dating back to 1999 and consisting of indices that generated minimized volatility and maximized returns, before either AFI or the GTMACS existed. While AFI provided several pieces of performance advertising generally disclosing its use of "certain hypothetical performance and portfolio information," that disclosure was imprecise, often not on the same page as the hypothetical performance data, and contrary to other statements indicating that the GTMACS' performance data represented actual rather than hypothetical returns. AFI's former vice president and business development director also created performance advertising without any disclosure language and distributed it to a limited number of prospective clients. In addition, AFI's advertising included examples of favorable investment decisions showing returns of up to 58.62% without providing or offering to provide all the firm's investment decisions, and select client portfolios showing over 28% in annualized gains without determining whether those gains represented all AFI clients.

2. AFI also failed to implement written compliance policies and procedures reasonably designed to prevent its employees from presenting performance advertising to clients or prospective clients that violated the Advisers Act and its rules.

Respondents

3. Alpha Fiduciary, Inc. (SEC File No. 801-68218) is an Arizona corporation based in Phoenix, Arizona. AFI has been registered with the Commission as an investment adviser since 2007. As of May 29, 2015, AFI had \$737 million in assets under management held in 731 accounts.

4. Arthur T. Doglione, age 53, is a resident of Scottsdale, Arizona. Doglione is the majority owner, managing member, and president of AFI, and until April 2014, its chief compliance officer.

² The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

Background

5. Doglione formed AFI in November 2006 and registered it as an investment adviser with the Commission in August 2007. In 2010, AFI began marketing its GTMACS as an investment strategy designed to reduce portfolio volatility and enhance returns by investing in seven to ten global, diversified asset classes.

6. Beginning in 2010, Respondents designed models for the Balanced, Conservative, Growth, and Income GTMACS consisting of seven to nine equity, bond, commodity, and hedge fund indices representing ten asset classes. Respondents created the GTMACS' hypothetical performance by selecting a static allocation of seven to nine indices to maximize returns and minimize volatility when back-tested to 1999. The static GTMACS' model portfolios never represented the holdings of any AFI account, nor could they. Many of the indices comprising the models had no corresponding tracking product like a mutual fund or exchange-traded fund, making replication of the back-tested holdings impossible.

7. Respondents included the hypothetical performance of the GTMACS in charts and tables in AFI's various advertising pieces, such as two-page executive summaries, 25-page firm profiles, 60-page presentations, and website. Respondents and/or AFI's former vice president and business development director periodically updated the GTMACS' performance data to the then most recent quarter, with comparisons to the performance of the S&P 500 index. For example, AFI's advertising materials presented that the GTMACS' Balanced model returned 163.34% from January 1999 through September 2012, compared to a 17.20% return by the S&P 500 during that same period.

8. AFI's executive summaries, firm profiles, and presentations disclosed that they contained "certain hypothetical performance and portfolio information," but did not disclose that all of the GTMACS' performance data was completely hypothetical. In AFI's firm profiles and presentations, the disclosure language did not appear on the same page as the hypothetical performance data, but at or near the end of a 25 or 60 page document.

9. In fact, AFI's advertising materials contained statements suggesting that the GTMACS' hypothetical performance data represented actual returns. For example, AFI's firm profile stated "[s]ince January 1999 our Balanced GTMAC Strategy Index has produced a 6.98% annualized rate of return. Similarly, AFI's presentation invited prospective clients to "Try it on!" and indicated that "if you would have invested with Alpha Fiduciary over the last ten years," a one million dollar investment would have increased to almost \$2.4 million, representing a 119.61% rate of return.

10. AFI employees knew that the GTMACS' performance data was hypothetical and based on a static, back-tested allocation of seven to nine indices. Nevertheless, AFI's former vice president and business development director emailed a handful of clients and prospective clients the GTMACS' hypothetical performance data without including even the disclosure about "certain hypothetical performance and portfolio information." In several e-mails to prospective clients, AFI's former vice president and business development director also made misleading statements

suggesting the hypothetical GTMACS' model performance data represented actual past performance.

11. AFI's advertising materials also contained examples of investment decisions made using the GTMACS in 2009 and 2010 generating realized or unrealized gains of 5.51% to 58.62%. All of the advertised investment decisions were profitable, yet some of AFI's investment decisions during those two years were not profitable. AFI never provided, or offered to provide, a list of all its profitable and unprofitable investment decisions during that time period to prospective clients.

12. AFI, through its former vice president and business development director, also provided prospective clients with a redacted report of an existing client's portfolio, one of which, for example, presented a 14.4% return net of fees over a six-month period. Respondents selected the sample client portfolio without considering whether it was representative of the performance of other AFI clients.

13. AFI adopted its Compliance and Procedures Manual before the firm began using performance advertising in 2010, but the Manual was not updated until December 2013. Before December 2013, AFI's Manual contained a section entitled "Marketing Materials and Advertising" that described Rule 206(4)-1 of the Advisers Act and stated that "particular care must be taken to ensure that materials presenting the composite performance of [AFI's] accounts meet SEC rules and interpretations." AFI's Manual required the chief compliance officer's prior review and approval of any marketing materials or advertising published or circulated to clients or prospective clients. Doglione exercised sole authority over AFI's policies and procedures, and he was solely responsible for the review and approval of AFI's marketing materials prior to their distribution to clients or prospective clients.

Violations

14. As a result of the conduct described above, AFI willfully violated³ Section 206(2) of the Advisers Act, which prohibits an investment adviser from engaging "in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client." Proof of scienter is not required to establish a violation of Section 206(2) of the Advisers Act, but may rest on a finding of simple negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5, (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)).

15. As a result of the conduct described above, AFI willfully violated Section 206(4) of the Advisers Act and Rules 206(4)-1(a)(2) & (5) thereunder. Section 206(4) prohibits any investment adviser from engaging in "any act, practice, or course of business which is fraudulent, deceptive, or manipulative," and authorizes the Commission to prescribe rules designed to prevent such conduct. Rule 206(4)-1(a)(2) makes it a fraudulent, deceptive, or manipulative act, practice, or course of business for a registered investment adviser to publish, circulate, or distribute any

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A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

advertisement which refers, directly or indirectly, to past specific recommendations of such investment adviser which were or would have been profitable to any person without offering to furnish a list of all recommendations made by such investment adviser within the immediately preceding period of not less than one year. Rule 206(4)-1(a)(5) makes it a fraudulent, deceptive, or manipulative act, practice, or course of business for a registered investment adviser to publish, circulate, or distribute any advertisement which contains any untrue statement of a material fact, or which is otherwise false or misleading.

16. As a result of the conduct described above, AFI also willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require that registered advisers adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules adopted by the Commission under the Act. A violation of Section 206(4) and the rules thereunder do not require scienter. *Steadman*, 967 F.2d at 647.

17. As a result of the conduct described above, Doglione willfully aided and abetted and caused AFI's violations of Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-1(a)(2) & (5) thereunder. Doglione knew or was generally aware of the potential of the hypothetical GTMACS' model performance, tactical applications of the GTMACS, and sample client portfolios in AFI's marketing materials to mislead clients and prospective clients about AFI's actual performance. He also knowingly or recklessly provided substantial assistance to AFI's primary violations of Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-1(a)(2) & (5) thereunder by creating the GTMACS' hypothetical performance data, co-authoring and/or approving the marketing materials that contained the misleading presentation of the GTMACS' model performance, and choosing the client portfolios used in advertising without determining whether those portfolios' returns were representative of AFI's performance.

18. As a result of the conduct described above, Doglione willfully aided and abetted and caused AFI's violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. Doglione knew or was generally aware that AFI failed to implement procedures reasonably designed to prevent violations of Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-1(a)(2) & (5) thereunder. By failing to consult the applicable sources of guidance as specified in AFI's compliance manual for the review and approval of advertising materials, Doglione knowingly or recklessly provided substantial assistance to AFI's primary violation of Rule 206(4)-7.

AFI's Remedial Efforts

19. In determining to accept Respondents' Offers, the Commission considered remedial acts undertaken by Respondents and cooperation afforded the Commission staff.

Undertakings

20. Respondent AFI has undertaken to:

21. Order Notification

- a. Within thirty (30) days of the issuance of this Order, AFI shall mail to each of its existing clients a copy of the Form ADV which incorporates the paragraphs contained in Section III of this Order, and which specifies that the Order will be posted on the homepage of AFI's website;
- b. Provide a copy of the Form ADV which incorporates the paragraphs contained in Section III of Order to any prospective client for a period of one (1) year after entry of this Order; and
- c. Within thirty (30) days of the issuance of this Order, AFI shall post a copy of this Order on the homepage of AFI's website and maintain it there for a period of six (6) months.

22. Independent Compliance Consultant

- a. AFI shall retain, within thirty (30) days of the issuance of this Order, the services of an Independent Compliance Consultant not unacceptable to the staff of the Commission's Los Angeles Regional Office. The Independent Compliance Consultant's compensation and expenses shall be borne exclusively by AFI. AFI shall require the Independent Compliance Consultant to conduct a review of AFI's compliance program, including its policies and procedures relating to the publication, circulation, or distribution of advertisements under Section 206(4) of the Advisers Act and Rule 206(4)-1(a) thereunder. AFI shall cooperate fully with the Independent Compliance Consultant and shall provide the Independent Compliance Consultant with access to any of its files, books, records and personnel as reasonably requested for review; provided, however, that AFI need not provide access to materials as to which AFI may assert a valid claim of attorney-client privilege;
- b. At the conclusion of the review, which in no event shall be more than four (4) months after the issuance of this Order, AFI shall require the Independent Compliance Consultant to submit an Initial Report to AFI and to the staff of the Commission's Los Angeles Regional Office. The Initial Report shall describe the review performed, the conclusions reached, and shall include any recommendations deemed necessary to make the policies and procedures adequate;
- c. Within fifteen (15) days after receipt of the Independent Compliance Consultant's Initial Report, AFI shall in writing advise the Independent Compliance Consultant and the staff of the Commission's Los Angeles Regional Office of any recommendations that it considers to be unnecessary or inappropriate. AFI may suggest an alternative procedure designed to achieve the same objective or purpose as that of the recommendation of the Independent Compliance Consultant. The Independent Compliance

Consultant shall evaluate any alternative procedure proposed by AFI. However, AFI shall abide by the Independent Compliance Consultant's final recommendation;

- d. Within six (6) months after the issuance of this Order, AFI shall, in writing, advise the Independent Compliance Consultant and the staff of the Commission's Los Angeles Regional Office of the recommendations it is adopting;
- e. Within nine (9) months after the issuance of this Order, AFI shall require the Independent Compliance Consultant to complete its review and submit a written final report to the staff of the Commission's Los Angeles Regional Office. The Final Report shall describe the review made of AFI's compliance policies and procedures; set forth the conclusions reached and the recommendations made by the Independent Compliance Consultant, as well as any proposals made by AFI; and describe how AFI is implementing the Independent Compliance Consultant's final recommendations;
- f. AFI shall take all necessary and appropriate steps to adopt and implement all recommendations contained in the Independent Compliance Consultant's Final Report; and
- g. AFI shall require the Independent Compliance Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Compliance Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with AFI, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. The agreement will also provide that the Independent Compliance Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Compliance Consultant in performance of his/her duties under this Order shall not, without prior written consent of the staff of the Commission's Los Angeles Regional Office, enter into any employment, consultant, attorney-client, auditing or other professional relationship with AFI, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

23. For good cause shown and upon timely application by the Independent Compliance Consultant or AFI, the staff of the Commission's Los Angeles Regional Office may extend any of the deadlines set forth in these undertakings.

24. AFI shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and AFI agrees to provide such evidence. The certification and supporting material shall be submitted to Spencer E. Bendell, Assistant Regional Director, Los Angeles Regional Office, Securities and Exchange Commission, 444 S. Flower Street, Suite 900, Los Angeles, CA 90071, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

Other Financial Industry Affiliations

Alpha Fiduciary is affiliated with Alpha Fiduciary Insurance Services, LLC, a duly licensed insurance entity with the State of Arizona. Certain Alpha Fiduciary advisory affiliates, in their individual capacities, are licensed insurance producers and may recommend the purchase of certain insurance products to its clients. Alpha Fiduciary advisory affiliates may sell insurance products to its investment advisory clients through Alpha Fiduciary Insurance Services, LLC.

A conflict of interest exists to the extent that advisory affiliates recommend the purchase of insurance products and receive insurance commissions or additional compensation as a result. Such conflict is disclosed at time of sale and in this brochure delivered to the client.

Code of Ethics, Participation in Client Transactions and Personal Trading

Alpha Fiduciary or related persons may own an interest in, or buy and sell for their own account, the same securities that may also be held, purchased or sold in client accounts. In all cases, clients' orders are given priority. In no case shall the adviser or associate receive a better price or more favorable circumstance than a client. In some cases the adviser may buy or sell a specific security for their own account which the adviser does not consider appropriate for client accounts.

Alpha Fiduciary has implemented a policy relative to personal securities transactions. This policy is part of Alpha Fiduciary's overall code of ethics, which serves to establish a standard of business conduct for all of Alpha Fiduciary's associated persons that is based upon fundamental principles of openness, integrity, honesty and trust. A copy of the firm's code of ethics is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Alpha Fiduciary also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Alpha Fiduciary or any person associated with Alpha Fiduciary.

Alpha Fiduciary has adopted procedures to implement the firm's policy on personal securities transactions and reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate.

Review of Accounts

Account reviews are conducted on an ongoing basis by the firm's principal, Arthur Doglione, or those qualified staff members to whom he may delegate this responsibility for a particular client. All investment management clients are required to discuss with Alpha Fiduciary their investment objectives, needs and goals and to keep him informed of any changes. All clients are encouraged

to meet at least annually with Alpha Fiduciary to comprehensively review financial planning issues, including investment objectives and performance.

Client Referrals and Other Compensation

Alpha Fiduciary has entered into Solicitor Agreements. Under these agreements, Alpha Fiduciary pays the Solicitor a percentage of the advisory fees paid by referred clients to Alpha Fiduciary. The percentage of the advisory fee to be paid to the Solicitor is jointly determined by Alpha Fiduciary and the Solicitor, based primarily on the projected amount of investment advisory services that each will provide to the advisory client. Advisory fees do not differ between referred and non-referred accounts, but are determined based on the level of assets managed. Certain terms of the agreement with the Solicitor are disclosed in writing to referred clients in a Solicitor's Disclosure Statement Pursuant to Rule 206(4)-3 of the Investment Advisors Act of 1940, as amended.

Alpha Fiduciary considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting TD Ameritrade Institutional ("TD Ameritrade") as the broker and custodian for certain of its current and future client accounts, Adviser takes into consideration its arrangement with TD Ameritrade as to obtaining price discounts for TD Ameritrade's automatic portfolio rebalancing service for advisors known as "iRebal".

The standard iRebal annual license fee applicable to Adviser is \$26,000, subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the TD Ameritrade platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the TD Ameritrade platform will bring fee reductions for up to \$20,000 per year for each of as many as three years or more. The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs). If Alpha Fiduciary does not maintain the relevant level of taxable assets on the TD Ameritrade platform, Alpha Fiduciary may be required to make a penalty fee payment to TD Ameritrade calculated on the basis of the shortfall. Although Alpha Fiduciary believes that the products and services offered by TD Ameritrade are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with TD Ameritrade as to the iRebal service may affect Adviser's independent judgment in selecting or maintaining TD Ameritrade as the broker or custodian for client accounts.

Financial Information

Based upon the firm's business practices, the use of a qualified custodian, and the firm's advisory fee procedures, the SEC does not require the disclosure of financial information. Please be advised that there are no known financial conditions that would impair the ability of Alpha Fiduciary to meet contractual commitments to clients.

Alpha Fiduciary has not been the subject of a bankruptcy petition or filing.

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